

**Statement of Rep. Henry A. Waxman
Ranking Minority Member
Committee on Government Reform
before the
Subcommittee on Government Efficiency, Financial Management,
and Intergovernmental Relations**

Hearings on Army Purchase Card and Travel Card Abuse
July 17, 2002

We will hear today, yet again, about the financial mismanagement at the Department of Defense. Americans have been hearing a lot about financial mismanagement lately. Revelations about corporate misdeeds in companies like Enron and WorldCom fill the headlines on a daily basis. The public is growing increasingly concerned and this concern is spreading to how the federal government manages its money.

We in Congress have a responsibility to ensure that the federal government's accounts are honest. That is why today's hearing is so important and I want to thank the Chairman for calling it. I also want to thank my colleague Representative Schakowsky for her vigilance on pursuing this issue. I am pleased to work with her to hold the Defense Department accountable.

Today she and I will send a letter to Secretary Rumsfeld urging him to address the problems of financial mismanagement found by GAO's investigations. As GAO's testimony and report reveal, this mismanagement is rampant.

GAO found widespread abuse of government travel cards and purchase cards. Both of these cards are intended to increase convenience for government employees. The travel cards are designed to make it easier for government employees to pay for official travel. And the purchase cards are designed to make it easier to buy needed items. Both cards are specifically intended for official business.

But we will hear today that these cards were frequently used not for official business but instead for private pleasure. For instance, GAO found that, at one site, 45% of the purchases on the travel card were for personal use.

For example, one use of these travel cards was at strip clubs. Army personnel would use these cards to obtain cash, or sometimes "club cash," from the strip club, often at a 10% fee. GAO identified about 200 individuals who charged almost \$38,000 at these establishments. One cardholder alone obtained more than \$5,000 in cash.

But that is not the only disturbing example. GAO found that these travel cards were being used to pay for everything from dating and escort services to casino and internet gambling to cruises.

GAO's findings on purchase cards, which the Committee will hear about this afternoon, are similarly troubling. For instance, these cards were also used to purchase escort services.

In another example, GAO estimates that \$100,000 was spent on various items including a computer game station, digital camera, and a surround sound system. In another case, \$30,000 was spent on items that included clothing from Victoria's Secret.

These abuses are unacceptable. And it is even more unacceptable that the Defense Department has not done more to stop them. GAO reported on these problems last year, yet the Department failed to

correct them.

It is common sense that use of these cards requires proper oversight. No government agency should give its employees a blank check and not watch to see how the money is spent. Yet that is effectively what the Department has done with these cards. GAO found that “a weak overall control environment and breakdowns in key internal control activities leave the Army vulnerable to potentially fraudulent, improper, and abusive purchases.”

It is past time for the government to get its books in order.